



United States
Department of
Agriculture

Rural
Housing
Service

Oregon AN No. 1224(1940)

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March 7, 2002

SUBJECT: Single Family Housing Funds - Fiscal Year 2002

TO: Rural Development Managers
Rural Development
Oregon

PURPOSE/INTENDED OUTCOME:

The purpose of this Oregon Administrative Notice (AN) is to inform you of the availability of Single Family Housing (SFH) funds for Fiscal Year (FY) 2002.

COMPARISON WITH PREVIOUS AN:

Since this AN relates to the new funding allocations for FY 2002, there has been no previous AN issued on this subject.

IMPLEMENTATION RESPONSIBILITIES:

Congress passed and the President signed the FY 2002 Appropriations Act that provided funding authority through September 30, 2002. The National Office has issued an advance copy of Attachment 2 to Exhibit A to RD Instruction 1940-L that provided information on the program funding levels. The information contained in this AN is taken from that Exhibit.

This AN explains the allocation for SFH program funds and provides for the use of those funds. Careful planning and the commitment of resources for the remainder of the fiscal year must be based on these funds, appropriate program regulations and the Oregon State Director's funding policies, herein. Attached are Exhibits A through F that provides SFH program funding information for FY 2002.

If you have any questions concerning this AN, please contact Single Family Housing.



LYNN SCHOESSLER
State Director

Attachments

EXPIRATION DATE:
September 30, 2002

FILING INSTRUCTIONS:
Preceding RD Instruction 1940-L

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USDA, Director, Office of Civil Rights, Washington, D.C. 20250-9410

SINGLE FAMILY HOUSING

This Exhibit provides Single Family Housing program funding and policy for the use of those funds in Fiscal Year 2002.

Each Rural Development Manager (RDM) must establish management controls to make certain that loans and grants are processed only to the point of approval unless allocated funds are available or prior approval has been received for sufficient National Office reserve funds to obligate the loan and/or grant. Loans and grants cannot be approved unless funds are available to completely fund the request.

I. Section 502 Nonsubsidized Guaranteed Rural Housing (GRH) Loans

A. Amount Available for Allocation:

General Allocation for Oregon	\$35,511,000
Less Special Outreach Area Reserve (30%)	<u>\$10,653,300</u>
Net Allocation Available	\$24,857,700

B. Suballocation to Area Offices: The amount of funds each area office is allocated is based upon the formula specified in the 1940-L Instruction. See Exhibit B for area office allocations of GRH funds by State distribution and general reserve share.

Funds will be available and tracked through the Guaranteed Loan System (GLS) on a global basis by all field offices. Offices may monitor the distribution and use of funds within the State by accessing the Funds Administration Menu page from the Guaranteed Loan System. Select the <State Distribution Summary> hyperlink on the left-hand side of the Funds Administration page.

C. National Office General Reserve: National Office will maintain a general reserve. The FY 2002 general reserve is \$700,348,107. See Exhibit B for State distribution and general reserve portion.

States may request access to the reserve, however, States not meeting their goals in Special Outreach areas may be restricted from use of this reserve. Oregon will request funds from the reserve once our general allocation is exhausted. Area offices will be kept abreast of the status of GRH fund usage.

D. Quarterly Allocation: Funds will be available by quarters as follows: 50 percent through the first quarter, 75 percent through the second quarter, and 90 percent through the third quarter and 100% at the beginning of the fourth quarter until the National Office year-end pooling date.

E. National Office Pooling: There will be mid-year pooling if necessary. Year-end pooling is scheduled for close of business August 16, 2002. Additional guidance once pooling approaches will be released.

F. Reservation of Funds: All offices must use the Guaranteed Rural Housing reservation of funds system in the Guaranteed Loan System (GLS).

G. Special Outreach Areas: The intent of special outreach areas is to assure the GRH program reaches applicants residing in areas which are most rural in character. FY 2002 GRH funding is allocated to States in two funding streams. Seventy percent of GRH funds may be used in any eligible area. Thirty percent of GRH funds are to be used for Special Outreach

Areas. Special Outreach Areas have been identified, as any county not included in a Metropolitan Statistical Area (MSA). The following counties in Oregon are within a MSA:

Portland PMSA:	Multnomah, Washington, Clackamas, Yamhill, Columbia
Salem MSA:	Marion, Polk
Eugene MSA:	Lane
Medford MSA:	Jackson
Corvallis MSA:	Benton

The remaining counties that are not within a MSA are identified as Special Outreach counties. The Guaranteed Loan System (GLS) will track the use of funds and percentage of use based upon the GRH obligations input into the GLS by each area office. Monitor use of Special Outreach funds from the Funds Administration Menu page of the GLS system.

- H. National Office Special Outreach Reserve: A special outreach area reserve fund has been established at the National Office. Funds made available from this reserve may only be used in special outreach areas.
- I. Monitoring/Tracking GRH Activity: Area offices have the responsibility to monitor and track the use of funds within their jurisdiction. Managers can closely monitor reservations, applications, commitments and use of funds from the GLS Reports page. Managers can customize the detail or summary report to display reservations and applications for a specific status, fiscal year, lender, geographic state and county, or originating office. Report sort options and reports type options can also be specified. Only reservations and applications that match the search criteria and report option will be displayed on the detail report or included in the totals shown on the summary report. Managers are reminded the data captured in GLS and obtained on the reports is downloaded on a nightly basis. Therefore, the data will only reflect activity as of close of business of the previous day. The GLS will serve as the manager's tool for up-to-date information regarding GRH funding and activity within their service area and throughout the State.
- J. Marketing and Outreach: Each RDM has an individual responsibility for outreach efforts to market the GRH program. Sales and marketing contacts must continue throughout the fiscal year with determination to sell and market the GRH program. Declines in mortgage activity indicate more emphasis in marketing the program is necessary. Every effort must be made by each RDM to effectively disseminate information by contacting local housing groups, community leaders, mortgage brokers, local Realtors, builders and news media.

Working closely with existing lenders is also critical to having a successful program. You must maintain contact with existing lenders to demonstrate our presence and interest in working with them, keeping them informed of program activity and changes. Exceptional delivery and timely consistent responses to program questions will demonstrate to participating lenders our commitment to this program and the lenders who utilize it.

Your contacts and the outcome of each should be documented and filed in the Operational Filing System for review by internal review teams.

- K. Potential GRH Applicants: Applicants who have sought financing under the Section 502 Direct program with incomes above the low-income limit are to be encouraged to seek financing from a private lender working with the Guaranteed Rural Housing (GRH) program. Also potential applicants which when the credit history, income and assets indicate that they may be able to qualify for 100 percent private financing, Loan Originators are to refer them to private credit and the Guaranteed Rural Housing (GRH) program. RDMs are to assist lenders and applicants, as needed, to complete the required forms and expedite processing.

II. **Section 502 Direct RH Loans:**

- A. Allocation: Oregon's allocation of subsidized funds available for FY 2002 is \$10,519,000.
- B. Availability of the Allocation: The Housing Act of 1949, as amended, provides that not less than 40 percent of the funds be made available for very low-income Section 502 loan applicants.
- C. RH funds will be available by quarters as follows: 50 percent through the first quarter, 70 percent through the second quarter, 90 percent through the third quarter, and 100 percent in the fourth quarter until the National Office year-end pooling date. The Single Family Housing (SFH) Section will obligate funds to ensure Oregon's quarterly/yearly allocation is not exceeded.
- D. State Office Reserves and Set-Asides: The State Office reserve will be used to fund subsequent loans in connection with a transfer/assumption of the RHS indebtedness and subsequent loans for essential improvements and repairs, financing for the purchase of real estate owned program (REO) when the National Office reserve has been exhausted, extreme hardship cases/homelessness, self-help housing, rural home loan partnership's (RHLP) and targeted areas. Section 502 Direct RH fund reserve/set-asides are as follows:

Set-aside Category	Very Low-Income	Low-Income
Loan Servicing	\$800,000	\$1,000,000
Self-Help Housing/RHLP	385,000	671,000
Purchase of REO	90,000	90,000
Hardship & Homeless	85,000	85,000
Targeted	170,000	170,000
Total Set-asides	\$1,530,000	\$2,016,000

1. Loan Servicing: When property subject to a 502 RH loan is sold to an eligible applicant, it is Rural Development regulation to transfer by assumption the existing RH loan and process a subsequent RH loan, if needed, to pay equity, finance improvements, and pay other eligible loan costs. **Due to the limited funding, loan leveraging should be used to the maximum extent possible for equity/repair loans. At a minimum, 30% of all low-income and 10% of all very low-income loans made must be leveraged.**
2. Self-Help/Rural Home Loan Partnership (RHLP): The National Office reserve will fund 75 percent of a self-help and RHLP loan, with the remaining 25 percent funded from the State Office reserve.
3. Program Credit Sales (REO Funding): For FY 2002, 15 million has been set aside for program sales of REO property. There will be no State distribution of these funds; rather funds will be available from the National Office on a first-come first-serve basis. Tasks requesting obligation of REO funds must include the following information:
 - a. Amount of funding requested
 - b. Very low-income (VLI) or low-income (LI)
 - c. If leveraged, include the lenders name and amount of lender's loan
 - d. REO account number

The requested amount and the amount reflected in FASTeller must match in order for the request to be considered.

NOTE: At the present time, ACH funds disbursement is not used for Program Credit Sales (REO funding). Area Offices must order treasury checks via FASTeller.

RDMs are not authorized to utilize any of Oregon's Allocation to finance REO until the National Office REO funds are exhausted.

4. Hardship/Homeless: Requests for hardship funds must be submitted to the SFH Section on a case-by-case basis utilizing Exhibit C. The case file must be included with your request. The hardship must be an extreme hardship case as defined:
 - a. An individual or family who is currently without housing and is unable to find shelter on a temporary basis with other family members, relatives, and/or friends or the applicant is occupying a structure that has been recently condemned by local authorities; or
 - b. The family is unable to obtain an adequate rental unit because:
 - 1) Such units are not available in the local market; or
 - 2) Documentation exists that the family cannot afford the interim move due to financial, health reasons, adequacy of optioned housing, importance of location of optioned house, etc.; or
 - c. The hardship has been caused by fire, flooding, hurricane, tornado, or other causes beyond the applicant's control.
 - d. If health conditions exist, the applicant must have written documentation from a licensed physician.
5. Targeted Areas: Of the FY 2002 Section 502 Direct loan funds, a total of \$340,000 is set aside for targeted counties. Generally, this should amount to 1 very low-income and 1 low-income in each County targeted. **In Oregon, Morrow and Wheeler Counties are targeted.** Outreach efforts are to be made in these counties to encourage the utilization of our funding resources.

- E. Area Office Suballocation: The remaining funds will be suballocated to the area offices using the methodology and formulas required by RD Instruction 1940-L. See Exhibit D for area office suballocations. The amounts to be suballocated for new/initial loans, after the required set-asides, are as follows:

Very Low-Income	\$2,678,000
Low-Income	\$4,295,000
TOTAL	\$6,973,000

Because of our limited Section 502 Direct RH allocation, loan leveraging must be used to the maximum extent possible for new/initial loans, equity/repair loans in connection with assumptions and REO. **At a minimum, 30% of all low-income and 10% of all very low-income loans made should be leveraged.** Loans must be leveraged to the maximum extent possible. **In order to effectively use loan leveraging, the minimum loan provided by the participating lender should be 20% of the total loan.**

In FY 2002, loan leveraging must be pursued in all cases. Leveraged loans have priority over non-leveraged loans.

1. Request to Process Obligation: Tasks requesting obligation must include the following:
 - a. Dwelling Type Code.
 - 1) 1 - Build
 - 2) 2 - Purchase New
 - 3) 3 - Purchase Old
 - 4) 4 - Refinance RD Debt
 - 5) 5 - Repair
 - 6) 6 - Purchase Old, Repair
 - 7) 7 - Refinance, Repair
 - b. Submission Code.
 - 1) 1 - Initial (New) Loan
 - 2) 2 - Subsequent (Equity/Repair) Loan
 - c. Very Low-Income (VLI) or Low-Income (LI).
 - d. Total Loan Amount to be obligated.
 - e. Leveraged or Non-Leveraged: If leveraged, include the lenders name and amount of lender's loan.
 - f. Special Circumstances, if appropriate:
 - 1) State Office Hardship
 - 2) National Office Hardship
 - 3) Self Help Housing
 - 4) Targeted County
 - 5) Hardship/Homelessness
 - 6) REO
 - 7) Rural Home Loan Partnership (RHLP)
 - 8) EZ/EC
 - 9) Home Buyer Education – Indicate in your task if the applicant has successfully completed a Home Buyer Education course.
2. Area offices will generate a list of unfunded applications from UniFi. The number of applications selected to fund is an area office determination based on the funding allocated and the percent of applications rejected and withdrawn. To document that applications were processed in the correct order, a hard copy of the UniFi "Unfunded Report" indicating your selection must be placed in the Operational Filing System.
3. Outreach: RDMs must contact lenders, Realtors, builders, non-profit groups, community housing interest groups, etc., regarding participation loans. With a shrinking employee base and limited funding levels, we must seek new methods to stretch our resources. Leveraging is not always easy, however, these partnerships not only extend financial and staff resources, but they also help to increase awareness of support for our programs in the communities we serve.
4. State Office Pooling: Funding will be reviewed prior to the beginning of the fourth quarter to determine if changes are necessary to fully utilize our allocation by August 16, 2002.

5. National Office Pooling: There will be no mid-year pooling. Year-end pooling is tentatively scheduled for close of business August 16, 2002. Year-end pooled funds will be placed in the National Office reserve and will be made available administratively.
6. Empowerment Zone (EZ) and Enterprise Community (EC) Earmark Loan funds only. The funds are earmarked for EZs and ECs only.

Allocation: Oregon's allocation of subsidized EZ/EC funds available for FY 2002 is as follows:

Very low-Income -	\$250,000
Low-Income -	\$320,000

Year-end pooling is tentatively scheduled for close of business June 30, 2002.

III. Section 502 Direct Funds for applicants not qualifying for payment assistance:

Subsidized funds may be used for qualified very low- and low-income applicants when the payment assistance formula shows there is no need for the subsidy. This assistance will be taken from the subsidized regular funding.

IV. Credit Sale Authority:

For FY 2002, 10 million has been authorized only for non-program sales of REO property. There will be no State distribution of these funds; rather funds will be available Nationally on a first-come first-serve basis. Tasks requesting obligation of a credit sale must include the following information:

- A. Amount of funding requested
- B. Income level
- C. REO account number

The requested amount and the amount reflected in FASTeller must match in order for the request to be considered.

(NOTE: A credit sale must not be closed until it is obligated.)

V. Section 504 RH Loan and Grant Funds

- A. Allocation: The allocation of Section 504 RH loan and grant funds are as follows:

Loan:	\$370,000
Grant:	\$381,000

Suballocation to Area Offices: The amount of funds allocated to each area office is based upon the formula specified in the 1940-L Instruction. See Exhibit E for area office allocations of Section 504 Loan and Grant funds. **Rural Development Managers may submit a request to the SFH Section for additional 504 Loan funds from the National Office reserve.**

Area Offices must leverage, at a minimum, 10% of all 504 loans made.

- B. Section 504 funds will be distributed by quarters as follows: 50 percent through the first quarter, 70 percent through the second quarter, 90 percent through the third quarter, and 100 percent in the fourth quarter until the National Office year-end pooling date. The SFH Section will obligate funds to ensure Oregon's quarterly/yearly allocation is not exceeded.

- C. State Office Hardship Reserve: An extreme hardship case is defined as in individual case with a significant priority in funding, ahead of other requests, due to severe health or safety hazards, and/or physical needs of the applicant.

A small State Office reserve is set-aside to fund extreme hardship cases as follows:

Loan:	\$10,000
Grant:	\$10,000

Requests for extreme hardship funding must be submitted to the SFH Section on a case-by-case basis utilizing Exhibit F. Hardship requests must have complete documentation that includes the applicant's name, account number, amount of the request and justification. For grant hardship requests, in addition to the above, the request must also include a copy of the budget and documentation of your efforts to obtain other financial assistance to reduce the grant amount.

- D. Request to Process Obligation: Tasks requesting obligation must include the following:

1. Dwelling Type Code.
 - a. 5 - Repair
2. Submission Code.
 - a. 1 - Initial Loan/Grant
 - b. 2 - Subsequent Loan/Grant
3. Amount of Loan, and/or Amount of Grant.
4. Leveraged or Non-Leveraged. If leveraged, include lenders name and amount of lenders loan or grant.
5. Special Circumstances: If appropriate:
 - a. State Office Extreme Hardship
 - b. National Office Extreme Hardship
 - c. EZ/EC
 - d. Targeted

- E. Outreach: The Section 504 loan and grant allocations can be used with adequate outreach effort. For an effective outreach plan, enlist the help of other service oriented organizations such as non-profit groups, churches, community action programs, housing authorities, senior citizen organizations, etc. **Emphasis must be placed on the full use of the 504 RH program.**

- F. National Office Hardship Reserve: The National Office will consider extreme hardship cases for funding from the National Office reserve.

For Section 504 grants/loans, an extreme hardship case is one requiring a significant priority in funds, ahead of other requests, due to a severe health or safety hazard, or physical needs of the applicant. Prior to funding hardship cases, that National Office will review the State's reserve account set aside.

Sufficient documentation must be provided to support the hardship. The following information must be considered and included:

1. A clear determination that the 504 grant applicant is unable to repay a section 504 loan. NOTE: A copy of the applicant's budget must be submitted with the hardship request.
2. The grantee is unable to obtain financial assistance from other sources other than the Rural Housing Service loans or grants.
3. The grantee lacks personal resources that can be utilized to meet the grantee's needs.

RDMs are to utilize Exhibit F to this AN when requesting National Office funding.

- G. National Office Pooling: There will be no mid-year pooling. Year end pooling is tentatively scheduled for close of business August 16, 2002. Funds will be placed in the National Office reserve and will be made available administratively.
- H. Empowerment Zone (EZ) and Enterprise Community (EC) Earmark Loan and grant funds. The funds are earmarked for EZs and ECs only.

Allocation: Oregon's allocation of 504 EZ/EC loan funds available for FY 2002 is \$18,500.

Year-end pooling is tentatively scheduled for close of business June 30, 2002.

There is \$600,000 appropriated for Section 504 Grants. This money is being held at the National Office level. These funds are to be used solely for the purpose of Section 504 Loan/Grant combos (Program Type 2009)

VI. Section 523 Self-Help Site Loans and Section 524 RH Site Loans

Funds are available for these programs and will be maintained in the National Office. Area Offices should contact the SFH Section for funding availability before encouraging an organization to development an application. \$5 million is available nationwide for the Section 523 program and \$5,090,909 is available nationwide for the Section 524 program.

VII. Section 523 Mutual Self-Help Housing Technical Assistance Grants

\$56,055,462 has been appropriated for Section 523 Mutual and Self-Help Technical Assistance Grants. Of these funds, \$1 million is earmarked for EZ/EC and REAP communities until June 30, 2002.

The State Director must request funding approval from the National office for all requests. A technical review and analysis must be completed by the Technical and Management Assistance (T&MA) contractor on all predevelopment, new, and existing (refunding) grant applications. In addition to the T&MA contractor's review, Agency personnel must also review and evaluate the feasibility of the grantee's request and make the appropriate recommendation.

Due to the limited funding under the Section 523 Mutual and Self-Help Technical Assistance Grants, all Section 523 grants will be obligated in the National Office.

VIII. Section 509 Compensation for Construction Defects

\$574,204 is available nationwide for this program. All claims for compensation for construction defects must be submitted through the SFH Section for National Office authorization of funds.

IX. Deferred Mortgage Payment Demonstration

There is no FY 2002 funding provided for deferred mortgage authority or loans for deferred mortgage assumptions.

ALLOCATION OF GRH FUNDS
FY 2002

Area Office	Distribution/ Allocation
Eugene	\$ 4,747,500.00
Medford	\$ 5,782,500.00
Pendleton	\$ 4,432,500.00
Redmond	\$ 4,417,500.00
Roseburg	\$ 5,066,500.00
Salem	\$ 11,064,500.00
	\$ 35,511,000.00



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TO: Rural Development
ATTN: Single Family Housing
Portland, Oregon

SUBJECT: Request for Section 502 Reserve Funds

FROM: _____

Check the applicable reserve: ☐ Hardship
☐ Homelessness

Applicant's Name: _____ Account Number: _____

Amount of Section 502 Direct Funds Requested:

\$ _____ \$ _____
Very Low Amount Low Amount

Justification for hardship/homelessness:

Signed: _____
Rural Development Manager

Date: _____

Attachment: Area Office case file

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USDA, Director, Office of Civil Rights, Washington, D.C. 20250-9410

**Allocation of Section 502 Direct SFH Loan Funds
New/Initial Loans
FY 2002**

Area Office	Allocation	
	Very Low-Income	Low-Income
Eugene	\$ 373,538.00	\$ 599,100.00
Redmond	\$ 322,700.00	\$ 517,600.00
Medford	\$ 425,800.00	\$ 683,000.00
Pendleton	\$ 317,200.00	\$ 508,700.00
Roseburg	\$ 365,145.00	\$ 585,600.00
Salem	\$ 873,617.00	\$ 1,401,000.00
Sub-Total	\$ 2,678,000.00	\$ 4,295,000.00
Set-asides:		
Loan Servicing	\$ 800,000.00	\$ 1,000,000.00
Self Help/RHLP	\$ 385,000.00	\$ 671,000.00
REO	\$ 90,000.00	\$ 90,000.00
Hardship/Homeless	\$ 85,000.00	\$ 85,000.00
Targeted	\$ 170,000.00	\$ 170,000.00
State Total	\$ 1,530,000.00	\$ 2,016,000.00

**Allocation of Section 504
Initial/Subsequent Loans and Grants
FY 2002**

Area Office	Allocation	
	504 Loan	504 Grant
Eugene	\$ 47,950.00	\$ 50,145.00
Redmond	\$ 43,670.00	\$ 44,320.00
Medford	\$ 61,850.00	\$ 63,120.00
Pendleton	\$ 46,620.00	\$ 46,105.00
Roseburg	\$ 51,520.00	\$ 54,510.00
Salem	\$ 108,390.00	\$ 112,800.00
Sub-Total	\$ 360,000.00	\$ 371,000.00
Set-asides:		
Hardship	\$ 10,000.00	\$ 10,000.00



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Oregon AN No.1224 (1940)
Exhibit F

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Portland, OR 97204-3222
PHONE: (503) 414-3335
TDY: (503) 414-3387
FAX: (503) 414-3394
Office Hours 8:00 am - 4:30 PM

TO: Rural Development
ATTN: Single Family Housing
Portland, Oregon

SUBJECT: Request for Section 504 Hardship Funds

FROM: _____

Applicant's Name: _____ Account Number: _____

Amount of Section 504 Direct Funds Requested:

<input type="checkbox"/>	504 Grant	\$ _____
<input type="checkbox"/>	504 Loan	\$ _____

Justification for hardship:

In addition to the above, for grant requests, please provide the following:

1. Is the 504 grant applicant unable to repay a Section 504 Loan? ☐ Yes ☐ No
2. A COPY OF THE APPLICANT'S BUDGET.
3. Is the grantee unable to obtain financial assistance from sources other than the Rural Housing Service? ☐ Yes ☐
4. Does the grantee lack personal resources that can be utilized to meet the grantee's needs? ☐ Yes ☐

Signed: _____
Rural Development Manager

Date: _____

Attachment: Area Office case file -- (hardship only)

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